



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 16, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **ARMENIAN RELIEF SOCIETY CONTRACT REVIEW**

We have completed a contract compliance review of the Armenian Relief Society (ARS), a Refugee Immigrant Training and Employment Program (RITE) service provider. The review was conducted as part of the Auditor-Controller's Centralized Contract Monitoring Pilot Project.

Background

The Department of Community and Senior Services (DCSS) contracts with ARS, a private, non-profit, community-based organization, to provide job training services to Russian, Armenian, and Farsi speaking CalWORKS recipients who have resided in the United States over five years. The types of services provided by ARS include job readiness training, career planning services and job placement. ARS' offices are located in the First, Third, and Fifth Districts.

DCSS pays ARS a fixed fee for each type of service based on budgeted program costs and anticipated service levels. For Fiscal Year 2002-03, DCSS paid ARS approximately \$593,000.

Purpose/Methodology

The purpose of the review was to determine whether ARS was providing the services outlined in their County contract and maintaining proposed staffing levels. Our monitoring visit included a review of ARS' billing statements, participant case files, personnel and payroll records, and interviews with ARS staff, program participants and participant employers.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

ARS was significantly out of compliance with its contractual requirements. ARS overstated 1 (10%) of the 10 employment outcomes and 12 (80%) of the 15 job training outcomes sampled, which resulted in ARS overbilling DCSS \$4,100 (62%) out of the total \$6,576 sampled. Examples of overbillings include the following:

- Billing for a full-time employment placement when the participant was compensated below minimum wage.
- Billing for the completion of Job Club trainings when the participants did not complete the required hours of instruction or receive the required hours of service.

ARS also reported providing 56 hours of Job Search activity to one program participant where the participant contacted 40 employers using ARS' employer information (contact person). However, 25 (83%) of the 30 employers that we interviewed stated that they had never heard of the contact person listed by ARS. Also, two of the remaining five employers were actually private residences and the individuals interviewed also stated that they had never heard of the contact person listed by ARS.

In addition, ARS did not always ensure that program participants were appropriately paid with paychecks meeting the State Labor Code requirements. Five (50%) of the 10 program participants with reported employment outcomes did not receive an itemized statement with their paychecks that reported the number of hours worked and/or any deductions for payroll taxes. ARS billed DCSS for the placements without reviewing the participants' paycheck stubs to confirm their employment and hours worked, as required by the County contract.

ARS' six Case Managers currently possess the work experience required by DCSS' contract. However, three of the six Case Managers did not possess the required work experience or educational requirements at the time they were hired by ARS. As a result, during the period of July 1999 – August 2002, ARS billed DCSS for services provided by these individuals who did not have sufficient GAIN work experience.

Review of Report

On May 17, 2004, we discussed our report with ARS. In their attached response, ARS disagrees with our findings and claims they provided the documentation to support their billings to DCSS. However, at our May 17, 2004 meeting, we explained to ARS why the documentation they provided us did not support their billings. We have notified DCSS of the results of our review and the Agency's response. DCSS will work with ARS and monitor them to ensure that areas of non-compliance disclosed in this report are resolved and will report to your Board within 60 days of this report.

We thank ARS for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:DR:DC

Attachment

- c: David E. Janssen, Chief Administrative Officer
Department of Community and Senior Services
 - Cynthia Banks, Chief Deputy Director
 - Josie Marquez, Program Director
 - Sona Zinzalian, Director, Armenian Relief Society
 - Violet Varona-Lukens, Executive Officer
 - Public Information Office
 - Audit Committee

**CENTRALIZED CONTRACT MONITORING PILOT PROJECT
REFUGEE IMMIGRANT TRAINING AND EMPLOYMENT PROGRAM
FISCAL YEAR 2003-04
ARMENIAN RELIEF SOCIETY**

BILLED SERVICES

Objective

Determine whether the Armenian Relief Society (ARS) accurately reported the outcomes of the program participants and that the program participants were eligible to receive services. ARS is paid a fee for each specific outcome (gaining full-time and part-time employment, upgrading from part-time to full-time employment, earning an hourly wage to be self-sufficient, participating in job training instruction, etc.) that the program participants achieve during the billing period.

Verification

We selected a sample of 25 program participants and reviewed their case files for documentation to support the employment and job training outcomes that ARS reported in November and December 2003. The outcomes represent \$6,576 (11%) of the \$60,963 that ARS billed the County for November and December 2003.

In addition, we interviewed 23 of the 25 program participants and eight employers to confirm the outcomes that ARS reported were actually achieved. We also reviewed the eligibility status of the 25 program participants on the GAIN Employment Activity and Reporting System (GEARS).

Results

Employment Outcomes

ARS overstated 1 (10%) of the 10 employment outcomes (full-time employment) which resulted in ARS overbilling DCSS \$500 out of the total \$6,576 sampled. Specifically, we noted the following:

- One program participant that ARS reported receiving full-time employment in November 2003 was paid below the minimum wage. According to the participant's paycheck stub, the participant worked 35 hours and earned a total of \$113.05, or \$3.23 per hour.

Job Training Outcomes

ARS overstated 12 (80%) of the 15 job training outcomes sampled (Job Club, Case Management, etc.), which resulted in ARS overbilling DCSS \$3,600 out of \$6,576 sampled.

ARS billed DCSS for providing the Job Club training program to 12 program participants. Job Club is a four week, 128 hour training program designed to increase the participant's marketability, job skills, and exposure to the job market with the purpose of placing the participant into full-time or part-time employment. Specifically we noted the following:

- The documentation used to support the completion of Job Club for 12 program participants, and used by ARS as the basis for billing DCSS did not document the participants' attendance during the last two weeks of the program. In addition, the documentation reported that the program participants completed a Job Club activity during a holiday in which the Agency was closed and services were not available. The documentation also reported that five participants received multiple program services at different locations at the same time.
- Seven of the 12 program participants stated that they did not attend the required number of Job Club hours that entitled ARS to bill DCSS. Five program participants stated that they attended Job Club for only two weeks. One program participant stated that he attended Job Club four to five hours per day for four weeks. The remaining participant stated that he attended Job Club for only five hours a day, three days a week for four weeks.
- For one of the 12 program participants, ARS reported the participant received 56 hours of Job Search activity where the participant contacted 40 employers using employer information provided by ARS (contact person). However, 25 (83%) of the 30 employers that we interviewed stated that they had never heard of the contact person listed by ARS. Also, two of the remaining five employers were actually private residences and the individuals interviewed also stated that they had never heard of the contact person listed by ARS.

The three case management billings included in our sample were properly billed for the months of November and December 2003.

Participant Pay

California State Labor Code Section 226(a) requires that employers furnish each employee at the time of each payment an itemized statement in writing showing: (1) gross wages earned; (2) total hours worked for hourly wage earners; (3) all deductions; (4) net wages earned; (5) pay period; (6) the name of the employee and their social security number. In addition, the County contract requires ARS to review participants' paycheck stubs to confirm the hours worked prior to billing DCSS for job placements.

Five (50%) of the 10 program participants with reported employment outcomes did not receive an itemized statement with their paychecks that reported the number of hours worked and/or any deductions for payroll taxes. ARS billed DCSS for the placements without reviewing the participants' paycheck stubs to confirm their employment and hours worked.

GEARS Activity

According to GEARS all 25 program participants sampled were eligible to receive program services at the time of the review.

Recommendations

ARS management:

1. Only charge DCSS for eligible services.
2. Ensure that services provided to program participants are documented in accordance with the County contract.

STAFFING/CASELOAD LEVELS

Objective

Determine whether ARS' staffing level is sufficient and that the Case Managers' caseloads do not exceed 115 program participants, as required by the County contract.

Verification

We interviewed ARS' staff and reviewed ARS' timekeeping records to determine actual staffing levels, and computed the minimum staffing levels required based on the Contactor's caseload.

Results

ARS' total number of Case Managers is sufficient and that their average caseload of 90 participants did not exceed the maximum allowed by the County contract.

Recommendations

There are no recommendations in this section.

STAFFING QUALIFICATIONS

Objective

Determine whether ARS' staff meets the qualifications required by the County contract.

Verification

We interviewed ARS' staff and reviewed their personnel files for documentation to confirm their qualifications. The contract requires that Case Managers either possess a four-year college degree, an AA degree and two years of caseload experience, an AA degree and two years of employment counseling experience, or two years of employment counseling experience in a GAIN environment. Achievement of Junior class standing in an accredited college may be substituted for an AA degree provided other training or experience requirements are met.

Results

ARS' six Case Managers currently possess the work experience required by DCSS' contract. The Case Managers average between four to six years experience providing services in a GAIN environment. However, three of the six Case Managers did not possess the required work experience or educational requirements at the time they were hired by ARS four to six years ago. As a result, during the period of July 1999 – August 2002, ARS billed DCSS for services provided by these individuals who did not meet the contract requirements. ARS management needs to ensure that staff possess the required work experience prior to being hired to perform case management in a GAIN environment.

Recommendation

3. **ARS management ensure that the staff possess the required work experience prior to being hired to perform case management in a GAIN environment.**

SERVICE LEVELS

Objectives

Determine whether ARS' reported services for Fiscal Year (FY) 2003-04 significantly varied from planned services levels.

Verification

Review DCSS' Annual Service Level Assessment report for FY 2003-04 and ARS' proposed services levels for the same period.

Results

We attempted to review ARS' ability to achieve planned service levels. However, DCSS could not provide us with the projected service levels used to allocate funding to ARS. In the future, DCSS needs to maintain the documentation used to establish the planned service levels of their program contractors.

Recommendations

There are no recommendations in this section.



ARMENIAN RELIEF SOCIETY
SOCIAL SERVICES
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ADMINISTRATIVE OFFICE

J. Tyler McCauley
Auditor-Controller
County of Los Angeles
500 West Temple Street, Room 525
Los Angeles, CA 90012

June 21, 2004

Dear Mr. McCauley,

Armenian Relief Society Social Services (ARS) has received the report on the Contract Review of the Refugee and Immigrant Employment and Training Program (RITE). This correspondence outlines our response to the findings contained in that report.

In addition to ARS' responses to the individual findings detailed below, ARS disputes the statement on page 2 of the report that contends that "ARS is significantly out of compliance with its contractual requirements." ARS complies with its contractual requirements and follows programmatic directives received from the Department of Community and Senior Services (CSS) as they are received.

The findings of the Auditor-Controller and ARS' responses to those findings are as follows:

1. *One program participant that ARS reported receiving full-time employment in November 2003 earned only \$3.23 per hour. According to a paycheck stub in the case file, during one pay period the participant worked 35 hours and earned a total of \$113.05.*
[REDACTED]

ARS believes that the Auditor-controller has mistakenly cited the circumstances for one participant, [REDACTED] for Mr. [REDACTED]. Our response is based upon the [REDACTED] case. The participant receives a County paycheck for work performed as a child care provider through L.A. County's Child Care Resource Center. It is the responsibility of the County to ensure that paycheck stubs correctly reflect the rate of pay and the correct number of hours worked. The check stub does not reflect an actual hourly rate of pay. The Los Angeles County Department of Community and Senior Services (CSS) does not require Employment Verification forms for participants who are employed by either the Child Care Resource Center or In-Home Supportive Services.

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2. *The documentation used to support the completion of Job Club for 12 program participants, and used by ARS as the basis for billing DCSS did not document the participants' attendance during the last two weeks of the program. In addition, the documentation reported that the program participants completed a Job Club activity during a holiday in which the Agency was closed and services were not available.* [REDACTED]

[REDACTED] The documentation also reported that five participants received multiple program services at different locations at the same time. [REDACTED]

ARS provides Job Club according to the contract, and according to the curriculum that was submitted to, and approved by the Department of Community and Senior Services (CSS). Job Club consists of two weeks of classroom activities, and a third week of classroom activities combined with Supervised Job Search. The Job Club attendance logs correctly reflect activities in compliance with the contract.

Job Club Attendance logs accurately indicate all holidays. A separate column on the log indicates that number of hours that are credited toward the participant's 32-35 weekly hours, and are not spent in class. This is the GAIN requirement for tracking holiday hours that are credited to mandatory weekly activity requirements.

With regard to participants receiving services at different locations at the same time, a thorough check of the participant files will show that this occurs when participants are in concurrent activities in order to meet their required activity hours. And in most cases, the concurrent activity is a case management session that the participant attended during a break period in Job Club. The "different locations" that the Auditor-Controller's office refers to are when the participant walked upstairs, to another section of the building. The situations for each participant cited are as follows:

[REDACTED] – The participant came upstairs for Case Management during break in Job Club class. The participant had a Case Management session on December 12, 2003, which was the last day of Job Club.

[REDACTED] – The participant started Job Club on November 10, 2003 and completed December 5, 2003. Case Management was provided on December 4, 2003. In addition, this participant was employed for 7 hours per week.

[REDACTED] – This participant had been employed for 25 hours per week, and was laid off on September 15, 2003. On October 2, 2003, during a Case Management session, he informed the Case Manager that he had lost his job. The Case Manager assigned him to Job Search activities, which are an appropriate component in this instance. Job Search activities were not successful, so the participant was placed in Job Club. Job Club started on December 1, 2003. A few days after Job Club began, the participant informed the Case Manager that he was working 25 hours a week at a take-home assembly job. Because this was temporary work, the participant

opted to continue Job Club in addition to the work he was doing at home. The participant became employed full time on January 15, 2004.

██████████ – The participant was seen for intake and appraisal on November 11, 2003. This was the participant's first Case Management session. Based on the appraisal, the participant was placed in Job Club on November 12, 2003.

██████████ – Again, the different services cited by the Auditor-Controller are Case Management during Job Club. This participant completed Job Club on December 12, 2003 and walked upstairs to see the Case Manager during a break on the last day of Job Club.

RITE participants struggle to understand and complete the complex requirements of program activity. Many do not have reliable, consistent transportation, and all are juggling family responsibilities with RITE activities. ARS attempts to make it as easy as possible for participants successfully meet program requirements so that they can begin working toward self sufficiency. By scheduling Case Management sessions during a time that the participant is already at the ARS site, the Case Manager reduces the number of time the participant must travel to the office, and helps the participant to fully comply with all requirements.

3. *Seven of the 12 program participants stated that they did not attend the required number of Job Club hours that entitled ARS to bill DCSS. Five program participants stated that they attended Job Club for only two weeks. ██████████, ██████████, ██████████, ██████████, ██████████. One program participant stated that he attended Job Club four to five hours per day for four weeks. ██████████. The remaining participant stated that he attended Job Club for only five hours a day, three days a week for four weeks. ██████████.*

It is important to note that representatives from the Auditor-Controller's office called and questioned participants 6 months after they had completed Job Club and asked them questions about the dates, days and times they attended, including the number and length of breaks during particular days. Most people will be unable to remember exact information of this kind after such a long period of time. This is particularly true of limited refugee participants who are struggling with language and cultural issues. ARS provided Job Club services consistent with the signed and dated documentation for that activity including attendance logs.

4. *For one of the 12 program participants, ARS reported the participant received 56 hours of Job Search activity where the participant contacted 40 employers using employer information provided by ARS (contact person). However, 25 (83%) of the 30 employers that we interviewed stated that they had never heard of the contact person listed by ARS. Also, two of the remaining five employers were actually private residences and the individuals interviewed also stated that they had never heard of the contact person listed by ARS. ██████████.*

Most program participants contact employers directly during their job search activities. Many give their own names, or they may give names of Case Managers or Job Club Instructors instead of Job Developers. There is no reason that a potential employer should be expected to remember the name of an ARS Job Developer several months after a program participant contacted them. In addition, community members often use numerous terms when referring to ARS, including

the Armenian Center, the Job Center, the Community Center and several terms in the Armenian language. Unless potential employers (which include any business in Southern California) keep detailed logs of all persons who approach them for employment, most will not recall the names of a participant's numerous contacts at ARS. This is not indicative of any mismanagement or noncompliance on the part of ARS.

5. *Five (50%) of the 10 program participants with reported employment outcomes did not receive an itemized statement with their paychecks that reported the number of hours worked and/or any deductions for payroll taxes. ARS billed DCSS for the placements without reviewing the participants' paycheck stubs to confirm their employment and hours worked.*

[REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]

It is common for refugee employees to work at smaller businesses owned by fellow immigrants who speak their languages. ARS considers these placements to be an excellent first step toward long-term employment in the U.S. Often, these small businesses do not have sophisticated payroll systems that generate detailed paycheck stubs. CSS is aware of this situation, and developed a Taxpayer Responsibility Form for participants who receive paychecks without itemized deductions to sign. Each of the participants listed had signed forms in their files. ARS has complied with all directives received from CSS with regard to this issue.

6. *ARS's six Case Managers currently possess the work experience required by DCSS' contract. The Case Managers average between four to six years experience providing services in a GAIN environment. However, three of the six Case Managers did not possess the required work experience or educational requirements at the time they were hired by ARS four to six years ago. As a result, during the period of July 1999 – August 2002, ARS billed DCSS for services provided by these individuals who did not meet the contract requirements. ARS management needs to ensure that staff possess the required work experience prior to being hired to perform case management in a GAIN environment.*

[REDACTED], [REDACTED], [REDACTED]

ARS disputes the Auditor-Controllers claim that the County paid for services provided by individuals that did not meet the contract requirements. When those RITE Case Managers were hired, the contract did not have a requirement for the number of years of work experience. ARS has ensured that all staff meet the requirements for the positions at the time of employment. In addition, the Case Managers listed all have at least a decade of experience providing one-to-one social service assistance to refugees as volunteers at ARS.

[REDACTED] – [REDACTED] has a Bachelor's Degree and had worked at ARS in a volunteer capacity in other programs for more than 10 years. Her volunteer work in other programs included extensive informational and referral activities as well as conducting intakes and assessing the needs of clients.

[REDACTED] – [REDACTED] was hired by ARS on November 1, 1998. At that time, the contract did not specify exact qualifications for Case Managers, and ARS did not employ any individuals who were not qualified.

[REDACTED] was hired by ARS on March 1, 1999. At that time, the contract did not specify exact qualifications for Case Managers, and ARS did not employ any individuals who were not qualified.

It is my hope that the information provided in this response will clarify any questions with regard to the findings listed in your report. Your office has copies of documentation that verifies all information in this response. If you need further information of documents, please let me know. I look forward to discussing our response with you.

Sincerely,



Sona Zinzalian
Executive Director

Cc: Supervisor Don Knabe
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yarozlavsky
Supervisor Michael D. Antonovich
David E. Janssen, Chief Administrative Officer
Department of Community and Senior Services:
Cynthia Banks
Josie Marquez
Adine Forman
Violet Varona-Lukens, Executive Officer
Public Information Office